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Exporter Guide

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Report Highlights:
GON's continued restrictive measures such as bans have reduced legitimate imports of many HVPs into Nigeria. However, local demand for intermediate foods (such as concentrates, flavors and ingredients), HRI products, seafood, seafood-based ingredients as well as consolidated, mixed containers of grocery products, is growing. Post is intensifying buyer prospects for these product categories and will assist interested U.S. suppliers in establishing business relationships with genuine local importers.

Includes PSD Changes: No
Includes Trade Matrix: No
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Table of Contents

SECTION I. MARKET OVERVIEW

- Nigeria, with a population of approximately 120 million, growing at three percent per annum, is the largest market in sub-Saharan Africa and provides a bonus market for the more than 30 million consumers residing in the neighboring West African countries

- Industry estimates of retail food sales in Nigeria during calendar year 2002 averaged $14 billion consisting:

Food Product form	**%**
Imported High-Value Food Products (HVP)	2
Partly Processed & Packaged in Nigeria	5
Totally Processed in Nigeria	0.5
Local, Unprocessed Foodstuffs & Staples, including fresh fruits, vegetables, meat	92.5
Total	100

- The traditional open markets are the major outlets for imported HVPs in Nigeria and distribution follows the traditional channels, beginning with the importer-wholesaler-retailer-consumers. "Supermarkets" share a small proportion of total sales.

- Importers usually are privately-owned firms and their operations are comparatively small- and medium-scaled

- The EU, Asian and South African firms are the dominant suppliers of imported HVP to the Nigerian market

- According to industry sources, HVP imports dropped more than 40 percent by the third quarter of 2003 due mainly to:
  1. Continued ban on many HVP import
  2. Increased registration fee for imported HVPs

- The GON has stated that these measures will assist domestic HVP processors to gain more market share, attract foreign investors and create jobs

- However, except for some commodities, local production is negligible; policies for industrial development and infrastructure are ineffective; therefore, cross-border smuggling of HVP is striving

- Import duties on processed foods also remain comparatively high thus encouraging invoice under-declaration and cross-border smuggling

Advantages & Disadvantages

Advantages	Disadvantages
Nigeria's population of more than 120 million is growing at 3 percent per annum	Average per capita income is estimated at $350
A continued massive rural-urban migration increasing demand for imported HVPs	U.S. HVPs are not as readily available and known in Nigeria as HVPs from the EU, Asia and South Africa
Nigerian consumers' perception of U.S. HVPs as higher quality items	Shipment freights from the U.S. are significantly higher than those from the EU, Asian & South African suppliers
Nigerian consumers readily adapting U.S. tastes and preferences especially for convenience-typed foods and snacks	Direct U.S. to West African shipping routes are infrequent—transshipments, often made at EU & South African ports add to cost and longer shipping time
Increasing local demand for intermediate foods (such as concentrates, flavors and ingredients), HRI products, seafood, seafood-based ingredients as well as consolidated, mixed containers of grocery products	U.S. exporters are not as flexible regarding importer requests on packaging and documentation as their competitors
Increasing female workers and school-attending children	Duplicate inspections and longer clearing time at Nigerian ports
Domestic food processing is under-developed and will remain so due to inefficient infrastructure and ineffective policies	GON's import ban on many HVP and high tariffs on HVPs ranging 100-150 percent
Approval of local banks for USDA's GSM Export Credit Programs and the extension of Supplier Credit Guarantee Program to Nigeria since 1999	Bad perception of Nigerian businesses in the U.S.
Adoption of 'Global Listing for Supermarket' items by food regulatory authorities offering relatively low cost, low risk market-entry window for HVPs not banned for imports	A lack of freight consolidators in the U.S. to handle the Nigerian importers' ordering and shipping requirements
The huge Nigerian market also, serves the more than 30 million market in the neighboring West African countries	Short shelf lives and coded 'best before dates' on U.S. HVPs.

SECTION II. EXPORTER BUSINESS TIPS

- Importer preferences are evident for HVP with the following characteristics:
    1. Relatively small-sized products, prepared and packaged for one-time use
    2. Bulk, intermediate products and ingredients for local re-processing and packaging
    3. Mixed-containers of high-value products and brands
    4. Perishable food products processed and packaged for long shelf life without refrigeration

- All imported HVP must be registered with NAFDAC to be legally importable into Nigeria
    1. Application for registering regulated products is made by the manufacturer
    2. Foreign manufacturers must be represented in Nigeria by a duly registered company, which can be easily contacted for product recall, if necessary
    3. NAFDAC considers the local importer to be acting as a representative of the foreign manufacturer
    4. In practice, it is the local representative that handles/coordinates the registration process for imported foods with NAFDAC
    5. NAFDAC increased registration fees on imported HVPs from approximately $60 per brand to $6,000 per item

- NAFDAC's adoption of global listing of supermarkets (GLS) food items has created another convenient and less expensive alternative for the Nigerian importer-distributors of HVP
    1. The GLS allows importer-distributors to import mixed container loads of high-value food products
    2. Items listed under GLS include all items regulated by NAFDAC, which are sold in supermarkets and other specialties required by hotels, fast food chains and international organizations
- Please, see FAIRS Report No: NI3006 (Import Regulation) for details

- The Nigerian Customs Service (NCS) is the GON agent for import duty collection.
    1. Import duties for HVPs run high as 100 to 150 percent
    2. All HVP imports are assessed at 5 percent Value Added Tax (VAT)
    3. The 5 percent VAT is on CIF value plus (+) import duty + port surcharge assessed at seven percent of import duty + one percent of import duty (called Customs Service inspection charge)

- GON initiated a policy that subjects all imports into the country to a duplicate inspection since May 2001
    1. A pre-shipment inspection (PSI) in the country of export by a GON-appointed PSI agent prior to shipment, and
    2. A-100 percent destination inspection at Nigeria's port of entry
    3. PSI agent for imports shipped from the United States is Swede Control/Intertek--the shipper or exporter arranges for the PSI to be done
    4. Also, see Post's FAIRS Report (NI3006) for details

- Importers of high-value food commodities reportedly, still practice the customary duty reduction/avoidance practice--rules can be bent to move imports into Nigeria
    1. Nigerian importers report that Swede Control/Intertek in the U.S. do not cooperate with them to bend the rules especially, when they seek to minimize or avoid tariff payment through adjusting invoice values for their shipments)
    2. Nigeria's high tariffs on HVP encourages many Nigerian importers to ship their U.S. consignments to the EU countries where the consignments are re-inspected, re-documented and transshipped to Nigeria
    3. Nigerians also, ship their consignments to ports in neighboring countries where they enter the Nigerian market through cross-border smuggling chain
    4. Many Nigerian importing firms register companies in the neighboring West African countries specifically, for receiving and transiting their consignments to the Nigerian market
    5. A large proportion of HVP exported to other West African countries are sold in the Nigerian market

6. Nigerian importers may purchase these items directly from overseas or they may purchase from importers of neighboring countries.

- To pay for imports, the importer normally applies for his foreign exchange requirements from the Central Bank of Nigeria (CBN) by completing a 'Form M' document
    1. The 'Form M' document requires importation details such as value, volume, country of origin, etc
    2. The importer takes the 'Form M' to his bank, which then bids the foreign exchange from the CBN on his behalf
    3. The bank opens an L/C for the importer, if the bid is successful

- Opening L/Cs in Nigeria is relatively expensive, time-consuming and inconvenient to both Nigerian importers and their suppliers
    1. Most Nigerian importers therefore, prefer and utilize bank transfer method to pay their overseas suppliers
    2. In this case, the importers simply purchase foreign exchange through either the banks or the informal channels, which save time and rigor associated with payments through the 'Form M'

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

- The retail food sector in Nigeria consists of supermarkets, convenience stores/small groceries, and traditional open-air markets--accounting for approximately 2 percent, 30 percent and 68 percent respectively, of total retail food sales

- Industry estimates put proportion of all retail sales of imported consumer-ready food products handled in Nigeria in 2002, by supermarkets, convenience stores and traditional markets at approximately 3 percent, 40 and 57 percents respectively

- The major players for imported HVP merchandising in Nigeria are:
    1. Importer-distributors
    2. Agents/Sole Representatives
    3. Wholesalers
    4. Sub-Wholesalers/Super-retailers
    5. Retailers

- Please, see Post's Retail Sector Report No. NI2024 for the illustrated details of the inter-relationship of these players in merchandising imported HVP in Nigeria

- Hotels and food catering services sectors are growing although they still represent a small outlet for imported HVP

- Fast food establishments are steadily growing and are offering the greatest opportunity for U.S. food sales growth

- Sales potential in this area exists due mainly to:
    1. Improving environment for business and tourism
    2. An increasing number of middle–aged Nigerians, especially educated professionals, prefers to meet their business contact at restaurants
    3. A small but growing number of restaurants offer food products and services demanded by these affluent consumers
    4. An increasing number of food caterers offering mobile service in homes, offices and at social gatherings

- Tourism is growing--the democratic GON is attracting tourists and foreign investors prospecting businesses
  1. For the first time, GON has positioned Tourists affairs and promotion at cabinet level.
  2. Hotels meeting international standards are very few and hotel management tends to be poor
  3. Abuja, Lagos and Port Harcourt are the ideal cities in Nigeria for focusing sales efforts toward the HRI sector

- Nigeria's domestic food processing is under-developed
  1. Capacity utilization within this sector averages no more than 35 percent
  2. Decaying infrastructure and inappropriate economic policies deter the growth of domestic food processing
  3. Domestic HVP supply, currently at less than 5 percent, will not catch up with the growing and sophisticated Nigerian consumers' demand for HVP, for some time

- Industry estimates put the origin and supply of imported consumer-ready food products in 2002 are as tabulated below:

Suppliers	**%**
EU	50
Asia	24
South Africa	20
USA	6
	100

- The low U.S. market share is mostly attributed to:
  1. Higher freight charges for shipments from the US
  2. Bad perception of Nigerian firms in the US
  3. U.S. exporters' less responsiveness to the Nigerian importer demands especially, on documentation and product specifications
  4. Lack of awareness of the availability of U.S. products in Nigeria, and
  5. Poor contact between Nigerian importers and the U.S. HVP exporters

- New-to-market U.S. food and agricultural products exporters should consider the following market entry strategies and tactics;
  1. Contact the Agricultural Attache at the USDA/FAS office located in the American Consulate, Lagos-Nigeria for assistance in selecting a local distributor/ agent or representative
  2. Appoint a local distributor/agent or representative in Nigeria to register the products with the appropriate GON regulatory bodies, to introduce their products, and to develop consumer demand
  3. Identify and sell through consolidators based in the U.S. who are serving the West African region
  4. Exhibit, especially at the FMI supermarket trade show in Chicago, which is well attended by Nigerian importers and where follow-up contacts can be made
  5. Offer food product shipment in mixed-lot containers
  6. Offer flexible shipping volumes
  7. Support activities for in-store and points-of-sale promotions in organized by Post in some small-sized outlets in Nigeria

8. Adapt pricing strategy that encourages importers to initiate buying activity with U.S. suppliers
9. Send sample products and sales catalogs to Post during local promotions of U.S. high-value foods

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- The following HVP are legitimate for export to Nigeria:

1. Breakfast Cereals
2. Wine, including sparkling wine
3. Spirits, Liqueurs, etc
4. Alcoholic beverages
5. Non-alcoholic beverages
6. Canned vegetables
7. Milk, Cream, Honey products (liquid or powdered)
8. Spices
9. Coffee, Tea & Herbal products
10. Yeast & Baking Powder
11. Sauces including, Soy Sauce
12. Tomato Ketchup
13. Mayonnaise & Salad Dressing
14. Mixed Seasoning
15. Canned Soups
16. Baby Foods
17. Sweeteners & Non-Dairy Coffee Whiteners
18. Health Food products
19. Nuts
20. Powdered beverages
21. Bottled Vegetable/Cooking oil
22. Packaged rice, etc

- The under-listed product types offer the most sales potential in Nigeria:
1. Frozen seafood
2. Fast food & other HRI food ingredients including, ice cream and yoghurt concentrates
3. Agricultural-based food ingredients
4. Industrial processed foods & beverages especially, fruit juice concentrates and bulk for local re-processing and packaging
5. Bakery, confectionery, and food preparation ingredients
6. Bulk processed pasta (spaghetti & noodles) products and ingredients for local reprocessing and packaging
7. Specialized food ingredients such as additives, preservatives, and flavorings
8. Fish-and seafood-based ingredients

SECTION IV. POST CONTACT AND FURTHER INFORMATION

Agricultural Affairs Office
American Consulate
2, Walter Carrington Crescent
Victoria Island, Lagos-Nigeria
Telephone: (234) 1 261-3926, 775-0830
Fax: (234) 1 261-3926
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National Agency for Food & Drug Administration & Control (NAFDAC)
Plot 204, Olusegun Obasanjo Way
Wuse Zone 7
Abuja-Nigeria
Telephone: (234) 9 234-6383, 234-6405-6
Fax: (234) 9 269-5163, 234-8382
e-mail: nafdac.lagos@alpha.linkserve.com
Website: www.NAFDAC.org

Nigeria Customs Service
Customs Headquarters
3-7, Abidjan Street
off Sultan Abubakar Way, Wuse Zone 3
Garki-Abuja, Nigeria
Tel: (234) 9 523-6394, 253-4680
Fax: (234) 9 523-6394, 523-4690

EXPORTER GUIDE
APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($m) / U.S. Market Share (%) *1	1,600 / 15
Consumer Food Imports From All Countries ($m)/ U.S. Market Share (%) *1	400 / 6
Edible Fishery Imports From All Countries ($m) / U.S. Market Share (%) *1	450 / 0.7
Total Population (Mil) / Annual Growth Rate (%)	120 / 3
Urban Population (Mil) / Annual Growth Rate (%)	65 / 3.5
Number of Major Metropolitan Areas *2	21
Size of the Middle Class (Millions) / Annual Growth Rate (%) *3	5 / 2
Per Capita Gross Domestic Product (U.S. Dollars)	350
Unemployment Rate (%)	41
Per Capita Food Expenditures (U.S. Dollars)	246
Percent of Female Population Employed *4	Not Available
Exchange Rate (US$ 1= 131.7) *5	131.7

Footnotes

*1/ FAS' web-enabled UN Trade database.

*2/ Population in excess of 1,000,000

*3/ Middle class is the proportion of the population earning an average annual income of $600 to $2,000

*4/ Percent against total number of women (15 years old or above)

*5/ Exchange rate the previous year was US$1=126)

Note: This report does not include Tables B and C since the FAS web-enabled UN Trade Database does not contain statistics for Nigeria